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MILITARY

JSP JOURNAL EXAMINES IMPLICATION OF MISAWA BASE

Tokyo GEKKAN SHAKAITO in Japanese Feb 83 pp 138-150

[Article by Reporter Satoshi Kamat: "The F-16 Misawa Base That Encircles the USSR"]

[Text] From the inside of an airplane which had just landed on the runway and was running along the taxiway I saw gray painted giant transports parked on the field. These were clearly marked with the Navy insignia. The Misawa airport doubles as the military base for American planes and Self Defense Force planes as well as a commercial airport for East Asian traffic. When we landed at this airport, I looked through the window somewhat tensely. There were times when F-1 support fighters of the Self Defense Force climbed sharply in formation above this airport. It was snowing rather heavily this day, and it was very quiet.

After I had got on a bus and was on the way to the terminal, my eyes were attracted to a windowless building dressed up in camouflage paint standing gloomily at the far end of the runway. This might be a storage vault I had the feeling that this structure was not here before.

It was on 30 September 1982 that attention was directed at this most recent front line of Japanese American Defense problems, the Misawa Air Base, which, unknown to the public had been quietly reinforced. This was the day when every newspaper highly feted the special reporters from the United States. The local papers "Tooku Nippo" and "Daily Tohoku" each gave top billing to the presence of the joint forces.

"'El Paso (Texas, U.S.A.) 29th Special Envoy Fukuyama,': Defense Agency Chief Ito announced at the Japanese-American Defense top echelon periodic conference that the American Air Force will deploy F-16 planes to the Misawa Base. This dispatch of F-16 planes to the Misawa Base had been requested from the American side early this year, and once this is accomplished it will be the first such even in Japan."

This news was disclosed by Defense Agency chief Ito's aide when he was inspecting the El Paso American base. This plan can carry small nuclear arms for ground attack, has a cruising radius of 920 kilometers, and a speed of mach 2.2; 48 such fighter bombers are scheduled to be stationed at Misawa at a targeted date of 1985.

Along with a defense of the dollar, a plan to reduce American forces present in Japan was put into effect on 30 November 1970 in which three squadrons of F-4 Phantom (54 planes) and one squadron of FR-4 observation planes (18 planes) were shifted to Korea while 3,000 officers and men along with their families were pulled out and 1,058 workers at the base were out of jobs.

I had originally come to this base about that time in order to gather material for the "giant Mutsu Ogawa nuclear development" which is presently in a curtailed state, and the fighter units had disappeared from Misawa and the base had become a communication base which monitored Soviet radio broadcasts. A F-86F fighter unit of the Air Self Defense Force was transferred to this base from Hachinohe in December of the following year 1971, and the Misawa Base began to be taken over by the Self Defense Force.

There was later a transfer of an anti-submarine patrol P3C unit from Iwakuni, and the American planes presently at this base include but nine P3C planes and two S-2 trackers. On the other hand, the 3rd Air Group of the Air Self Defense Force was transferred from Komaki Base in March 1978 as a result of which there are the following craft stationed there: 36 F-1 jet fighters, 2 T-2 jet fighters, 11 T-33 trainers for a total of 49 planes.

In addition, the 6th Antiaircraft group headquarters for the defense of the Seigan district and nine Nike launchers for the western coast defense were brought in in 1979, and this base became the supply point. A single F2C8 early warning plane has been stationed since FY-82 (to remain to FY-85).

At the present time, there are 3,518 American military and associated personnel and 2,400 Self Defense Force members at this base, and there are daily dive bombing runs, strafing runs, rocket attacks, and 20 mm vulcan cannon sweeping fire exercises conducted by jet planes at the Amagamori bombing range slightly to the north of this base, and when the Midway comes into Yokosuka, touch and go training (takeoff and landing) is conducted at Misawa by fighter planes simulating deck landings.

Ever since the change in policy on the part of the United States in 1970, planes plying the East Asian countries have started using this base, and I had thought that the capacity of the Misawa Base had been reduced, however, the recent "Soviet threat thesis" has been the background for the reinforcement and expansion of this base as a stronghold in anti-Soviet defense. The decisive move in this direction is the assignment of two F-16 flight units.

The top echelon of the Defense Agency made this statement in this regard. "There is considerable desire for an offensive attitude, and in addition to reinforcement of suppressive forces, there has been reawareness in Japan for public commitment in defense ("Tokubai Shimbun" 30 September 1982)."

Secret Japanes-American Agreement until Installation

At the conference between the top echelons of the Japanese-American Defense Forces the Japanese government formally agreed to accept the F-16. There is a clause in the Japanese-American security treaty which enables before the

fact conferences on "important changes in deployment," and the assignment of F-16s to the Misawa Base serves to further augment America's system of nuclear strategy but the government regards an "important change in deployment" to be equivalent to an army division and interpreted this situation as "two air groups are not the equivalent."

The reason Misawa was selected as the deployment site is "Misawa is suitable both strategically and operatively" (assistant chief Yoshino of the Defense Agency). It was in this manner with no consent of the Japanese people or the Misawa residents that Misawa was converted into an anti-Soviet attack "advanced base" to be pointed at the surrounding seas and Sakhalin.

This matter was handled by the "Tooku Nippo" and the "Asahi Shimbun" (prefectural edition) as a "great surprise." On the other hand, a previous Kyodo wire stated: "The United States requested deployment of F-16s to Misawa at the start of 1982." In other words, the government had secretly hid this important item from the people and had stated: "There are no legal problems except that this is a matter for a before-the-fact conference."

According to a formal report by the Defense Agency, it was "the latter part of June" when a formal intent to deploy these planes to Misawa came from the American military command in Japan. Very quickly, 6 months passed. Prime Minister Suzuki agreed to this request along about the first part of September, so it is said, and what studies transpired in Japan 3 months or just how this new assignment will alter the strategic alignment of the American force by the presence of F-16s at Misawa to augment the 72 F-16 planes at the Gunsan Base in Korea was not clarified.

It was on the evening of 29 September when prefectural governor Kitamura and Mayor Kohiyama were notified by the section chief of the Self Defense Office in Sendai. This message was intended to appear as a "notification" to the local people of the Japanese-American joint conference to be held the next day. On the other hand, there already were signs of such an event. Mayor Kohiyama made the following statement.

"I heard along about July that there were movements to reinforce the capabilities of the Misawa Base by the American Force, and to bring a fighter unit here despite the great opposition of the local people makes one wonder what moral principles are involved ("Asahi Shimbun" prefectural edition of 1 October 1982)."

According to the mayor's office, reinforcement of the base capability should be an important subject, but this Liberal Democratic mayor simply cast aside the issue. Then in August the officer in charge of residences for the military visited the city's Base Policy Section and inquired whether the construction of 300 homes in 2-3 year period would be possible. The reason advanced by the Americans for this new home construction was the dilapidated state of the residences of this city.

When I inquired of the city's Base Policy Section chief's aide why there had been no communication to the city of this F-16 deployment before 30 September,

he said: "I hear this all the time, but there was no such communication. There also was no formal written statement."

This was his answer. When I asked whether the city would oppose, his reply was: "The situation is still vague, and there is no assent or dissent. The city itself is quiet. We are in a stage where we want to see another disposition."

He replied in this easy manner.

During the city's mayoralty race about the middle of September, Mayor Khoiyama said: "We have to free ourselves from an economy which depends on this base." The Socialist party ran Takeo Segawa head of the Mizawa consolidated branch offices, and a mayoralty race of an intensity not seen in 15 years ensued.

During this election campaign, touch and go training for fighters on the Midway was initiated, and worrying that this noise may have adverse effects on the election, the mayor's aide pleaded his case to the Foreign Office, and the exercises came to an abrupt stop. Some reporters have surmised that it was concluded that these exercises could cause the defeat of the Liberal Democratic party's candidate and would affect this F-16 assignment.

The results of the mayor's election found candidate Segawa polling 5,000 votes. This was far beyond expectations. The communist candidate who ran 15 years before was able to muster but 1,600 votes. This vote seems to reflect a growing criticism of the harm caused by the presence of the base in the form of noise and backfires. If news of the F-16 deployment had been announced before the election, then the reelection of Mayor Kohiyama would have been in jeopardy.

At the customary Air Force Day observed one week after the election, a part of the Misawa Base was opened to the people of Misawa. There also were some demonstration flights by each fighter craft, and visitors came flocking in from nearby prefectures. Two fighters flew over from the Gunsan Base in Korea. The Defense Agency cadre, which had been watching the people gasp in amazement as the F-16s (which had distinguished themselves in the Israeli attack on the Iraqi nuclear installation) paused midway in the air when making wavering descents, probably were laughing inside. Nobody had dreamed that these acrobatic and nimble fighter bombers would eventually be based at Misawa.

Foremost Anti-Soviet Front Line Base

At the meeting of the special committee on safety safeguards of the House of Representatives convened on 7 October, the Defense Agency side stated that the main role of the F-16 is ground attack and its range of operations will include Sakhalin (Karafuto), the southern half of the Kurile Islands, and the neighboring seas and admitted the nuclear weapon carrying capability. In addition, when the occasion presents itself, the F-16 and the Air Self Defense Force F-15 can engage in joint operations and indicated that joint training will take place in the future.

Representative Takahiro Yokoji (Socialist party) said: "The F-16 assignment menaces anti-Soviet tension. The Sea of Okhotsk and similar areas have assumed importance in American-Soviet nuclear strategies, and this present move is for safeguards for the Americans" as he criticized the situation.

In rebuttal, Defense Bureau chief Natsume said: "This move is intended to strike a military balance with the military reinforcement the Soviets are consistently following and is in recognition of the American commitment to preserve peace in Japan and the Far East countries, and it helps to enhance the suppressive force."

This was one answer. This is the interpretation that it is only natural that this base should be incorporated into the very front line of America's anti-Soviet attack. The United States is pushing for a ceiling of 1,000 nautical miles including blockade of the Soya, Tsugaru, and Taima Straits as the assignment for this Japanese-American force, the joint training between F-16s and F-15s will probably be directed in this direction, plus nuclear attack on the Soviet Union Far East bases with Misawa as the home base does come to mind.

The Soviets made the following statement with regard to this disposition plan: "The United States is promoting a plan for expansion in war preparations to fuel this situation" and "there is a direct threat to Soviet safety," it decried. It made the following announcement: "If this plan materializes, there is no other course but to take protective measures to guard against this new threat from Japanese soil."

The top echelon of the Defense Installation Agency which came to explain the situation to the local people said that there will be 24 planes stationed at this base in 1985 and 2,200 military personnel will come to Misawa. There will eventually be two flight groups and 3,500 people including families at this site. To accommodate all these people and planes, construction starting off with roughly 1,000 residences along with the air group's headquarters, barracks, supermarket, theater, library, supply warehouse, vehicle equipment store, soundproofing facility for jet engine testing, and expansion of runways and plane mooring sites will get underway with an outlay of 50-60 billion yen in community projects, and there will also be need for workers at the base in listing some of the merits of this development.

This will mean that a nuclear threat and prosperity accompanying this move will be imposed on the Misawa Base vicinity, but the source of these funds will be the Japanese national budget. The practice of freezing the wages of civil services workers and laborers and promoting "innovative measures" to trim down the welfare budget while helping out the reinforcement of the American military base certainly must be the policy of a blind country.

Instead of questioning themselves just why would the Soviets attack Japan and threaten it militarily, the threat of an assumed enemy was propagandized, and the government which increased its defense budget is flirting with certain death.

Even assuming that the number of civil engineering projects increases, the main contractors will be Nishimatsu Kensetsu or groups who zero in on Defense Agency contracts, and it is said that the amount of work apportioned to local industries will be about 10 percent. It is said that the presence of the American troops in Misawa for the past several years has improved the local economy by but 4-5 percent, and the GI who buys but a single beer at a bar is given wide berth. The day when the dollar was strong is in the distant past.

I walked the streets of the city of Misawa after an absence of several years and I was surprised at the magnificent public facilities which had been constructed such as the public hall, library, historical museum, health center, and gymnasium. The appearance of the commercial streets seemed little different from the time of the Mutsu Ogawa nuclear developmental boom, but a total of 2.3 billion yen was expended to build a magnificent community center which is said to be one of the very few in the Tohoku district, which nearly left me dumbfounded.

These were built in return for the use of the base. In other words, these are reparations for the hazard that is faced. I began to recollect the atomic explosion belt. Here again, the town office was like a city office building and the city office was just like a prefectural bureau in presenting a spectacle unsuitable to my thoughts while large public halls and a sports center had been built. And as the subsidy funds began to be cut off, problems in the maintenance of these structures arose.

When considered in this light, the base and a nuclear blast zone have much in common. That is to say, there was the method of purchasing by Mono in order to push down dissidents that was common to both. It may mean that the knowhow to soothe the residents living about the base had also been applied to the nuclear blast region.

There also were problems with maintenance funds for the public hall at Misawa. This fund is running 70 million yen in the red each year. Of the total construction cost of 2.3 million yen, the subsidy from the country was less than 700 million yen. Bonds were issued for 900 million yen and the remaining 700 million yen became an obligation from the general fiscal source. In addition, a library and judo building are under construction, and each is being constructed by subsidies, and the more lavish the apparent appearance, the more difficulty that is experienced in fiscal management.

The general revenue for FY-82 was 11.28 billion yen of which the base subsidy (subsidies for existing city, town, or village put out by the country for facilities) was 1.02 billion yen or 10.1 percent.

Certainly, the base should bring in about 1 billion per year in addition to which, although there might be some strings attached, there would be a subsidy of a fraction of the business costs (adjustment subsidy), but the bonds for FY-82 totaled 7.6 billion yen which is the largest obligation among the eight cities in this prefecture.

In the publication titled "The Base and Misawa City" which the city of Misawa published in 1974, the statement was made that one of the "casualties of the base" is the "lack of revenue" which was described in the following manner.

"The role of the base is to assume fiscal administration to provide measures for the stability and prevent casualty to the people living nearby together with the assumption of responsibility to effectively administer the American military forces, military employees, and families living outside of the offered area, and an American military base, which unlike a Self Defense Force base is given tax free type treatment unprofitable to the city, and this reduced income invites a shortage of revenue."

1. The payments for principle and interest on the business loans which had been floated for base businesses since FY-57 totaled 1.13 billion yen.
2. The tax exempt status provided in laws related to special emergency measures accompanying the execution of the security pact represents a decrease in revenue of about 7 billion yen for a 21 year period.

The tax exempt fraction refers to the fixed asset tax that the facilities used by the American forces and Self Defense Force and the city resident tax on the American military and civilian workers that are exempt. The "Recollections of the Old Country" published by the Misawa district labor group and the Misawa headquarters of the Socialist Party states that when the 7 billion yen shortage in revenue up through FY-72 is added to the 3.6 billion yen (estimated at 400 million yen annually) accrued between 1973 and 1981, the tax income lost to date totals 10.6 billion yen.

Not only has the "prosperity" of the streets of the base been reduced by the trigger of nuclear war but the average take per capita from the city people has increased.

The Aomori Prefecture is my old home which during the last 10 or so years has undergone a tremendous transformation.

The Misawa Base has been expanded and reinforced and is now integrated into the American Far East strategy, and the bombing range has also been expanded. Moving northward from this area, the giant development one sees include the national oil storage site; preparations are under way for the construction of the Shimokita nuclear power plants (10 power plants in the final stage) to provide power for Tokyo Power and Tohoku Power; the establishment of a new port for the nuclear powered ship "Mutsu"; the large problem of nuclear power generation, and construction and design of a nuclear fuel reprocessing plant are some of the giant undertakings in progress. If the missile base on the side of the Tsugaru Strait is included, the entire prefecture is a giant base of military and energy purposes casting an image of maladministration.

The Misawa Base presently ranks next to the Kadena Base on Okinawa in size and when the bombing range and communication center are included, it is triple the size of Yokota, Atsugi, or Iwakuni, and it takes up to 20 percent of the city of Misawa. As is evident from the situation that the gates of the base

front the bustling city streets, this base is situated right smack in the center of the city.

History of Misawa Village and Its Rough Post Occupation Development

Misawa has a history that dates back considerably with regards to its role as an airplane base.

Back in the 1930s the airplane buffs were taken up by the dream of circumnavigating the globe and the Pacific Ocean as well as flying over Europe to Japan, and they dedicated their lives to this dream. The Sabishiro beach on the outskirts of Misawa was a poor village which was used as pasture, but its soil was a half baked clay and served as a natural runway.

The American aviators Bromley and Getty, planning a transpacific flight, selected this beach as a landing site in 1930, and when news of this selection reached this village, the then Mayor Toshito Kohiruinaki said: "We will do our utmost to aid these people in this history making event, and everybody will be dedicated to all out support no matter what the need is or whatever consequences or difficulties may result" (Koichi Ito "Fly High, Gently, and Straight"). In this manner, this place became the best site in Japan to complete the Japanese-American route over the Pacific. After the first flight with the Tacoma, the second with the Pacific, and the third flight with the Krushna-maj all ended in failures, "Miss Beadle" flown by Panghorn and Harndon succeeded in making the first transpacific flight in October 1931 taking 41 hours and 10 minutes to complete this flight and landed in the city of Wenatchee, Washington. This event was to carve Misawa's name into the annals of history. This was followed by a Japanese attempt with its Hochi, but this plane was swallowed up in the Pacific and failed to complete its flight.

It was in 1941 just preceding the Pearl Harbor attack that this place became a stronghold for flights to the American continent when the Imperial Navy constructed its naval air base. The area presently serving as the base was a pasture for raising horses for the military during the feudal era but since the Meiji era became "Imperial property" and was taken into the imperial household, but eventually a part of the land was converted to public land and opened up to the local people. Even now there are racehorses being raised in nearby pastures, and this is a remnant of the military horse raising of the Meiji era.

On 24 August 1945 directly after the end of the war, three jeeps came cruising into Misawa village. They carried 10 members of the "Mountain Lion Unit" of the United States army headed by Colonel Dark. An army engineering battalion came in September and took over the old Japanese naval air base and started to construct an American Air Force base, and a fighter unit came over the following year in 1946.

This was the start of Misawa Base, and this base underwent later expansions to eventually become the largest military base next to Kadena. The population which was about 10,000 just after the war was doubled by the influx of laborers from all over the country who came with the large construction projects.

It was in February 1948 that Misawa Village merged with part of the neighboring villages to become greater Misawa.

Just a little before this merger, Bunji Tsushima (elder brother of the minister) who was the first prefectural governor elected by popular vote was called in by Commandant Ropp of the Japanese-American forces and told the following.

"There is one request I have of you. The administration of this town is spread over four villages. This involves difficulties in the issuing of commands, and I would like to see it all merged into one. I have asked Mr. Uehira (head of the Public Relations Section of Misawa Village) and I wish the governor will give Mr Uehira a helping hand." (Seinoshin Kuroda "I Am 77 Years Old and I cannot Remain Quiet").

One reason for this request was that the Komaki depot (presently Misawa depot) neighborhood was out of the administrative limit such that the laying of various lines and simple liaison required a large number of steps which made difficult the smooth conducting of American type business.

It was because of this commander's request that the town was created, and the naming of this town was left up to Commander Ropp. Ropp decided on "Great Misawa Town" (Greater Misawa Town), according to the story that was transmitted. There were some dissenting voices, however, who say that "Oh Misawa" evolved to "Greater Misawa."

A profusion of bar filled streets eventually sprouted up close to the gate and the usual complement of pimps and prostitutes settled in.

According to the survey of the discipline management committee of the American Air Force conducted in January 1954, the following situation existed at this time.

Short time girls	221
Only [exclusive cohabitants]	396
Beer hall barmaids	319
Total (at time of registration)	936
Unregistered people	250
Grand total	1,122

The problem that remains most vividly in my mind where schools were concerned was the assault on girl students by black servicemen. This was a terrible experience.

There were some rumors that one had to be careful in a public bath. Because of the presence of the professional women, there was an epidemic of infections among the girls. The woman classified "only" who accompanied a foreigner would hold hands or entangle their legs even in front of children greatly surprising children from nearby villages. On the other hand, children who lived here must have had previous encounter with such behavior since they handled it as ordinary events.

One may be surprised the first couple of times, but it becomes commonplace after one or two times. Feelings are developed very quickly. There were some parents who cited morality problems and gave the poor environment as excuse to transfer their children to other schools.

At that time, the parents were busy using the base to earn their living and survive, and there were some who accepted this unavoidable. At the same time, I feel that the educators did not voice much opposition to the presence of the base, and there may have been some who accepted this situation as part of the effects of the democratic principle.

Since everyone depended on the base in one way or the other, I wonder whether there was any latitude for considering problems arising from the presence of the base.

Venereal diseases and philopon toxicity also were rampant. An alliance for cleanup movements was formed in the city, and this was aimed at cleanup of the city.

There were the following measures proposed to counter the present of "special women" (prostitutes and similarly occupied women).

- A. Not allow these women to leave their houses during the off duty hours of the troops
- B. Bar all traffic involving holding hands and entwining legs
- C. Submit to enforced examination
- D. Punish soliciting
- E. Cooperate in thorough shutdown of narcotics and phenopon
- F. Cooperate in eliminating gangster groups

In addition, the following handbills were circulated.

"Special Women"

We have been praying that you will some day have the opportunity to atone for your soiled existence as a martyr to social ills. On the other hand, your lack of reflection is causing even sympathetic townspeople to exceed their tolerance and threatens to reduce them to a state of exasperation. This will be necessary to protect the morals of the town, the children, and eventually your well being.

Please return to the true figure of a Japanese woman.

Slogans were solicited. The winner was the following.

"One for reflection, two for discipline, three to guard your children's dreams"

The perplexed state and discriminative nature of the people whose livelihood depended on the base were well revealed in this manner.

The American troops who were the customers also seemed to be perplexed at this confused state of morals. The commandant issued the following communication to the town mayor, police chief, and town council on February 1954.

"1. During the past year, this command had repeatedly made requests of you gentlemen. The number of red light women has not decreased a bit, morals are retrogressing, and there is a turn for the worse. This is not only affecting the virtue and health of the officers and men of this post but is posing a great hazard to their working efficiency.

There are some very great effects particularly to the more than 1,000 wives and children on the base. Starting at noon on the 22nd, the following orders will go into effect based on the various reasons listed below.

1. All traffic other than on the main roads will be forbidden.
2. Enlisted men will not be able to stay out after 2400 hours while officers and above will not be allowed out after 2 A.M.

Reasons

1. When the several thousand officers and men and their households write to their families and friends in the United State of the low moral situation in this town, it will amount to publicizing Japan's bad moral state to the rest of the world.
 2. You gentlemen have proposed a number of improvement methods, but the reason there has been no improvement to this bad situation is because the Japanese police administrative office has not taken a determined stand.
 3. The police department has a law against prostitution, but there has been no incident of a prostitute even having been fined.
 4. All the various countermeasures have been ineffective. Each unit on the base has a morals committee and we are even holding spiritual training. The town has a cleanup measures committee and a Japanese-American joint committee, and these have made earnest efforts in the past to overcome this bad situation, but everything has been but of a transient effect with no permanent effect.
 5. Orders from the United States
- "According to the edict issued by the Undersecretary of the Air Force, prostitution is forbidden around a base. In order to enforce this edict, bar all personnel be it officer or enlisted man from leaving the base."
6. An energetic effective action is requested."

The request on the part of the American commandant was to drive off the prostitutes. On the other hand, this was a rather arbitrary request on their part. The root of this trouble was in the policies of the commandant himself.

We Cannot Shape the Same Destiny as the United States

The bad situation at the base is not a question of morals but comes about from the situation that Japan is considered as having the same destiny as the United States. In addition, there are not only the hazards of these incidents but also the daily events of fighter crashes and emergency landings.

According to the recollections of Katsuzo Kawamura who lived under these circumstances, very soon after the takeover of the base a B-29 crashed into a hillside on September 1946, and there were 188 dead. The incidents that occurred after that, even the number remaining in his memory, is a vast number (see the table on next page,) (from "Recollections of the Old Country").

According to these accounts, there was a chronic incidence of airplane accidents about the base. Unlike crashes involving commercial planes, there was no large number of passengers killed so that there was no great excitement over each crash. Even when the plane crashed into a home, the fortunate of the unfortunate suffered no bodily damage, and the pilot generally skillfully escaped so that no great news was created.

On the other hand, should the F-16 planes to be stationed here in the future carry nuclear bombs aboard, then misery can follow should such a plane crash. In addition, there will be 51 storage tanks and, assuming 10 nuclear bombs will be stored, the anxiety that will be created will be inestimable.

Even the crash incidents are that numerous, added to which the erratic bombing with mock bombs and falling objects as well as fires, chlorine gas leaks, and noise caused stampedes of cattle and horses or breakage of window panes leave no respite from the presence of the base.

Katsuzo Kawamura says: "Everything was bad." He came to work at the prefectural clearing activity and later changed to dairy farming, but he quit this business because of the noise damage, and his later rice growing attempt was curtailed unavoidably because of acreage reduction.

He is currently president of an alliance of 2,000 homes which are in the area of base jurisdiction and is an "essential critic" where the base is concerned.

He follows the thesis that "national defense is something 120 million people should share" as he girds himself for a fight to demand reparations.

On the other hand, the statements to the prefecture and the country carry the following passages.

"Not only is the reinforcement to the capabilities of Misawa Base being escalated under guise of national defense but we who live in the base area are experiencing increasing psychological and physical anxiety day and night over noise damage, plane crashes, or erratic bombing incidents, and the distress we suffer is beyond comprehension."

"Our requests in view of this situation include expanded area of recognized noise, completion of soundproofing facilities, subsidy for telephone rates, agricultural reparations, reparations for decreased land value, and halting of touch and go training and bombing training."

The assignment of F-16s seems to have increased the frequency of noise exceeding 100 phons. A study is now under way to bring to court a suit based on a similar litigation brought up in reference to Atsugi Base which resulted in "partial victory" (judgment unknown).

The Communist party and local labor are making preparations to reorganize the city people against this F-16 deployment, but the area alliance has made no move to join this new effort claiming "we refuse joint efforts with outside groups."

The impact on the city people was large when news of the assignments of F-16s to Misawa Base was announced on 30 September 1982. The experiences in the past had taught these people that the arrival of American troops was of no economical merit, and the people were not overjoyed in anticipation of this arrival.

At the Aomori Prefecture "Mass Meeting on Anti-F-16 Installation" held at the Mizawa city gymnasium on 23 October 1982 as one phase of the international anti-war day, there were 2,300 laborers and city people assembled, and it was a success of a magnitude not seen in recent years.

The following "mass propaganda" was issued that day.

"Defense Secretary Weinberger of the United States made the following statement regarding the decision to deploy F-16s at Misawa Base, 'we have the deepest regard for the opinions of the people who live around the base.' This is an indication that it greatly depends on the attitudes of we prefectural people whether we want to allow this use of Misawa Base by F-16s and allow this country to become a battleground for nuclear war. It must be said that we have a very heavy responsibility placed over us.

"We will stand on the success of today's gathering and ask for peace while we assemble all the people and groups within the prefecture opposed to nuclear war to spread the cooperation and fight to involve the entire country and express our determination to oppose the disposition of F-16s here."

Takeo Segawa who is the leader of the Socialist party made the following statement.

"Even now Japanese-American joint training is taking place about once every month. It is planned eventually to bring in nuclear bombs as planned and thereby eliminate nuclear allergy. We will continue preparations to organize the city people, and we are presently making a census of names and collecting questionnaires from the city people and shape the mechanics for an organized opposition to this deployment."

I came to Misawa after a long absence and was able to see how the base problem had evolved from the passive state in the past to this very active state. The opposition to the continued existence of the base has become even greater with the threat that this could become a nuclear battleground. The F-16 deployment is the result of a unilateral strategic request on the part of the United States, and I feel that we must avoid plotting the same destiny with the United States. The expansion of this anti-war and peace movement can undercut the feet of Prime Minister Nakasone who must take decisive action.

Aircraft Incidents at Mizawa

(1) 年月日	(2) 事故の種類		
1952.6.28	ジェット機墜落 (3)	62.2.1	"
54.11.15	ジェット機不時着 (4)	62.4.11	"
54.11.27	"	62.6.30	"
54.12.7	標的用機行機墜落 (5)	63.1.14	"
55.7.12	"	54.7.15	"
55.8.6	"	64.8.13	"
55.12.13	ジェット機墜落 (6)	65.1.18	"
56.11.3	"	66.5.17	" (F86)
56.12.17	"	66.7.13	ヘリコプター不時着 (7)
58.2.24	"	66.11.9	ジェット機墜落 F100 (B)
58.12.3	"	66.11.29	" (F86)
59.8.11	"	69.8.20	" (T-33)
60.7.12	"	72.8.2	基地内セスナ機不時着 (9)
60.10.14	"	78.4.15	基地内艦載機緊急着陸 (10)
61.6.29	"	80.8.20	ジェット機墜落 (F1) (11)
61.9.7	"		

- Key:
1. Date
 2. Type of Incident
 3. Jet fighter crash
 4. Jet fighter emergency landing
 5. Drone plane crash
 6. Jet fighter crash
 7. Helicopter emergency landing
 8. Jet fighter crash (F-100)
 9. Emergency landing of Cessna within the base
 10. Emergency landing of carrier plane on base
 11. Jet crash (F-1)

9923

CSO: 4105/214

ECONOMIC

ECONOMIC PROSPECTS FOR FISCAL 1983 REPORTED

Tokyo FAINANSU in Japanese Mar 83 pp 40-47

[Article by Motoo Kusakabe, Assistant To Chief of Financial and Monetary Section, Coordination Bureau, Economic Planning Agency: "Economic Prospects for Fiscal Year 1983"]

[Text] The State of the Economy for Fiscal 1982

At the outset I would like to comment briefly on the state of the economy for fiscal 1982, which constituted the basis of projections for the next fiscal year.

Original Estimate at Approximately 5.2 Percent

For fiscal 1982, as you know, the government originally estimated real economic growth at approximately 5.2 percent, which was somewhat on the high side. At the end of 1981 when the first estimate was made, the world economy, overcoming the lingering effects of the second oil shock, was on the mend, and it was believed that Japan's economy, too, performing relatively as good as the other advanced countries, would grow at a higher rate. At the time, the bright side of the picture was that with the correction of the oil glut following the second oil shock completed more or less by the summer of 1981, it was believed that production would get into full swing from the autumn and that with the successful prevention of import-caused inflation from turning into domestic inflation, prices were moving in the direction of stabilization.

Simultaneous Recessions of the World Proceeding in Parallel

But toward the end of 1981 great changes occurred in the environment surrounding the Japanese economy. One was that the interest rate in the United States reversed its downward trend in December 1981 and began rising again, and contrary to popular expectations, the short-term interest rate reached a level as high as 14 percent by June 1982. This not only delayed by a wide margin the economic recovery of the United States itself but had the effect of making it difficult for Western European countries to bring down their own interest rates for their own economic recovery and furthermore, imposed an added burden in the form of interest payments on the developing countries already under a heavy

burden of large foreign loans. On this account, the average growth rate of OECD countries for 1982, which was estimated by OECD in December 1981 to be 1.25 percent, had to be amended downward recently as much as to minus 0.5 percent in light of actual performance. What this means is that so-called simultaneous recessions of the world were proceeding in parallel. Thus the original OECD estimate of a 3.5 percent increase in real imports by OECD countries was amended down to zero.

Readjustment of Inventories Caused by a Slump in Exports

Such move of the world economy exerted serious influence on our national economy as well. Our country's exports, which had been expanding favorably until the July-September quarter of 1981, suddenly showed a big drop down to minus 4.5 percent in terms of volume in the October-December quarter compared with the preceding quarter, and from April 1982 onward, kept falling every month compared with the same month of the previous year, an unusual situation indeed. The worsening worldwide recession was mainly responsible for this but among other factors, there were: Our country's export goods held in stock overseas increased and became a heavy burden, and the trade friction arising from deepening unemployment in the major countries of Europe and America became actualized. Following such export decline, the inventory adjustment which was thought to have been completed about the summer of 1981, began again, centered around industries oriented in processing business, industries which were depending in large measure on export. This also spread to industries oriented in manufacturing crude goods, and the business world came to hit so-called "second bottom." On this account, capital investment in plant facilities by small and medium manufacturing enterprises also remained sluggish.

Table 1. Recent Trade Trends

	Exports Passing the Customs (on a volume basis)		Imports Passing the Customs (on a volume basis)	
	Compared with same month of previous year	Compared with previous quarter seasonally adjusted	Compared with same quarter of previous year	Compared with previous quarter seasonally adjusted
1980	17.1	-	-4.8	-
1981	8.3	-	-0.6	-
Apr-Jun 1981	11.7	3.7	-6.7	-1.4
Jul-Sep 1981	14.2	3.3	-2.5	-0.7
Oct-Dec 1981	4.3	-4.5	1.4	4.5
Jan-Mar 1982	3.7	2.5	5.6	2.9
Apr-Jun 1982	-3.7	-4.9	1.6	-4.0
Jul-Sep 1982	-7.9	-1.1	-0.5	-2.6
Oct-Dec 1982	-4.0	-0.2	-6.6	-1.9

Housing starts, which were originally estimated at about 1.3 million units, were also affected much more strongly than originally estimated, as will be explained later, by factors of structural constraint, and housing starts fell far below the original estimate.

Decision on Comprehensive Economic Measures

In light of such economic trends, the government first of all decided in April 1982 on moving up the completion dates of public works contracts by a one-quarter period and strove to spur the completion. As a result, a record 77.2 percent of the contracts so moved up was completed more or less as planned.

But the completion of public works projects ahead of schedule did not bring about an increase in the domestic demands of the private sector as much as anticipated, and even after September rolled around, business was still in the doldrums. Under the circumstances, the government at its cabinet meeting convened on 8 October to discuss economic measures adopted comprehensive economic measures consisting of additional public works projects, housing projects as well as measures for small and medium enterprises, measures for industries in slump and measures for employment at a total cost of 2.07 trillion yen. At the same time, the projected economic growth rate was amended with the economic indicators as of that point in time taken into account: real growth to 3.4 percent, nominal growth to 6.2 percent.

Actual Performances Indicate an Estimated Increase of About 3.1 Percent

As for the comprehensive economic measures adopted at the 8 October cabinet meeting, what could be implemented by the executive power of invoking the flexibility provisions regarding financial and investments organizations institutions was put in practice at once but as for projects such as the disaster rehabilitation projects, it was decided to carry them out after the passage of the supplementary budget (on 25 December).

Meanwhile, there was no visible change of substance in the economy. But under the finalized GNP for 1981 released in December, the level of 1981 GNP was revised substantially upward, and in consequence, the 1982 GNP growth rate was revised somewhat downward: real growth rate from 3.4 percent to 3.1 percent, and nominal growth rate from 6.2 percent to 5.6 percent. It must be said that revision of the original estimate of the real growth rate from 5.2 percent to 3.1 percent represents a substantial downward revision. It might be said that the basic cause of this, as I have explained so far, lies in the more-than-anticipated stagnation of the world economy caused by the high interest rate in the United States. Looking at it by items, the degree of contribution to real growth by regular overseas surplus which is directly subject to the effect of the world economy, showed a drop of 1 percent from the original estimate of 1.1 percent to 0.1 percent, to begin with, and domestic items such as private investments in plant facilities, private financing of inventories, and private investments in housing projects all together fell about 2 percent from the original estimates. As opposed to this, real expendable income increased through further stabilization of prices, and the degree of contribution by personal spending rose about 0.2 percent above the original estimate, thus becoming the only item in the private sector to rise above the original estimate. Again, the additional government expenditure necessitated by the economic measures was now expected to rise about 0.6 percent over the original estimate, in terms of degree of contribution.

The great change in the economic environment for fiscal 1981 and fiscal 1982 which necessitated such a downward revision of the government estimates, also greatly affected the nation's tax revenues, and compelled a downward revision by a wide margin of the tax revenues estimated on the basis of the government economic projections. In this manner the economic projections are used as the basis of operation of various policies, and difficult as it is to foresee change in the economic situation, there is something extremely serious in the effect in the event of a downward revision by a wide margin. I think that this must be kept in mind always in making estimates.

Table 2. Economic Prospects for Fiscal 1982, As Amended

Unit: percentage (Upper: percentage of contribution)
(Lower: percentage of increase)

<u>(Real)</u>	(A) <u>Original estimate</u>	<u>Amended estimate</u>	(B) <u>Estimated real</u>	(B)-(A) <u>(Percentage of contribution)</u>
Personal spending, final	2.1 3.9	2.4 4.5	2.3 4.3	+0.2
Private housing	0.6 10.4	0.1 2.7	0.0 0.5	-0.6
Plant facilities of private enterprises	1.3 7.7	0.1 0.6	0.3 2.0	-1.0
Government expenditure	-0.0 -0.1	0.9 4.8	0.6 3.3	+0.6
Regular account overseas surplus	1.1 15.8	0.0 0.1	0.1 1.6	-1.0
Exports, etc.	1.6 7.5	0.9 4.2	0.3 1.6	-1.3
Imports, etc.	-0.5 3.5	0.9 5.9	-0.2 1.6	+0.3
Gross National spending	5.2	3.4	3.1	-2.1

Note: The percentage of contribution is an estimate made by this Section on the basis of Government projections.

Economic Operations and Economic Projections for Fiscal 1983

The Character of Government Economic Projections

Before taking up the main subject, let me examine the basic character of the government economic projections. The government economic projections, unlike those of the private sector, go beyond simple forecasting the economic trends and decide on the basic attitude toward the next year's economic operations based on the economic situation at home and abroad, and under it, presupposes a desirable picture of the economy.

Therefore, in the government projections it is important that (i) the forecasting elements adapted to the actual condition of the economy and (ii) exemplary elements added to the policy-oriented efforts be joined in a good balance. In particular, in the case of using, as a starting point, such situation as in 1983 when recession is simultaneously sweeping all parts of the world, it becomes a question especially how to harmonize "a desirable picture" and "a feasible picture."

About this point there can be many ways of thinking, but let me mention here to some extent the way of thinking of our Financial and Monetary Section which is responsible for actual estimate figures. First, as mentioned in the previous chapter, in the event that the government estimates result in great separation from the actual condition, it comes to affect the economic operations in various forms. On this account, "a desirable picture" should be examined within the bounds of possibility to achieve it by policy-oriented efforts under various restraints in policy implementation. Second, under a marketplace economy system, there are limits to policy means which the government can use such as directly controlling the government expenditure, and basically, the best means of realizing the policy goal is for the subject of the private sector's economy to act, trusting the government estimates as its guiding principle in determining the direction of its economic activity. Therefore, it may be said that securing the trust in the government estimates constitutes an indispensable condition for the government estimates to function effectively. Such way of thinking is one that applies in common to economic estimates at any time, and this was a point which was particularly kept in mind in making the latest estimates based on last year's experience.

The Economic Environment for Fiscal 1983

The fiscal year 1983 is starting from a severe economic environment at home and abroad as mentioned earlier, but even as the environment is more severe than fiscal 1982, it is thought that there will be the following six bright spots:

Correction of the High Interest Rate in the United States and Business Recovery

When it is taken into consideration that the high interest in the United States was the biggest cause of world recession for fiscal 1982, it is expected that through its correction world business will have put the worst period behind it, even if a rapid recovery cannot be hoped for, and will be gradually mending during fiscal 1983.

The Recovery of Our Country's Exports

Even if world business moves in the direction of recovery, it is impossible to hope for an early solution of the unemployment question in the countries of Europe and America. Consequently, the severe environment will continue for our country's exports, but it is thought that it is still possible to anticipate that as world business moves in the direction of recovery, our exports which have been steadily declining in terms of volume, will have hit the bottom and will be moving toward recovery.

Table 3. OECD Estimate of Real Growth Rate (December 1982)

	<u>1981</u>	<u>1982</u>	<u>1983</u>
Japan	3.8	2-1/2	3-1/2
America	1.9	-1-3/4	2
West Germany	-0.2	-1-1/4	-1/4
France	0.3	1-1/2	1/2
UK	-2.4	1/2	1
OECD total	1.2	-1/2	1-1/2

The Falling Interest Rate Level

In fiscal 1982, our country's interest rate remained on a comparatively high level on account of the high interest rate in the United States and of apprehension stemming from the issuance of national bonds in large amounts, but in step with the correction of the high interest rate in the United States, is also moving downward. It is believed that this will have a good effect on next year's investments in plant facilities and housing projects.

Correction of the Cheaper Yen

In fiscal 1982, the yen became much cheaper than originally anticipated, but in step with the falling interest rate in the United States, a considerable correction of the cheaper yen has already taken place, and it is believed that this will be a plus in terms of increased business revenues and increased purchasing power of the housekeeping economy.

Strides Made in Inventory Adjustment

In fiscal 1982, in step with the declining exports, so-called inventory adjustment in two stages occurred, which worked to push for business recovery. Anyway, considerable strides have been made up to now in inventory adjustment, and as soon as the downward trend of exports hits the bottom hereafter, most of the industries will have completed inventory adjustment before the end of the current fiscal year, and it is anticipated that the situation will turn favorable from the next fiscal year on for increasing export shipments.

The Continuing Stability of Prices

Stable prices are the greatest precondition for business recovery, and for the next fiscal year, too, through oil price stabilization and cheaper yen correction

it is assumed that prices will continue to stay stable. From this, it is believed, real income will increase and personal spending will steadily move in the direction of recovery.

As mentioned above, I have put emphasis on the bright spots but it is equally necessary to fully understand that internationally, the conditions are extremely difficult wherein the employment situation in various advanced countries is expected to continue to be serious and there exists apprehension of a rising tide of protectionism in trade and in addition, the developing countries are under the heavy burden of cumulative debts and that internally, the severe environment continues wherein our national finances are still in great imbalance.

Table 4. Economic Prospects for Fiscal 1983

(1) Gross National Product (+ or - percentage in comparison with previous year)

	1981 (real)		1982 (estimated real)		1983 (estimate)	
	253.8 trillion yen		Appr. 266.7 trillion yen		Appr. 281.7 trillion yen	
GNP	Percentage		Appr. percentage		Appr. percentage	
	Nominal	Real	Nominal	Real	Nominal	Real
	5.5	3.3	5.1	3.1	5.6	3.4
<u>Major items</u>						
Personal spending, final	5.4	1.1	7.2	4.3	7.4	3.9
Private housing	-2.1	-2.0	1.9	0.5	4.3	2.6
Private ent plant fac.	2.7	4.4	0.2	2.0	3.9	2.9
Government expenditure	5.1	3.3	3.3	3.3	0.4	-0.7
Exports, etc.	18.9	15.3	4.0	1.6	3.5	3.3
(Credited) Imports, etc.	10.3	7.8	2.5	1.6	2.5	0.6

(2) Production/Employment	1981 (real)	1982 (estimated real)	1983 (estimate)
Mining prod. (% increase)	3.7%	Appr. 1%	Appr. 4.4%
Potential working population	57.21 mil.	Appr. 57.8 mil.	Appr. 58.3 mil.
Total of the employed	55.94 mil.	" 56.4 mil.	" 56.95 mil.

(3) Prices (+ or - percentage in comparison with previous year)

	1981 (real)	1982 (estimated real)	1983 (estimate)
Wholesale price index	1.3%	Appr. 1.6%	Appr. 1.1%
Consumer price index	4.0	2.7	3.3

(4) Balance of International Payments

	1981 (real)	1982 (estimated real)	1983 (estimate)
Regular account balance	\$5.9 billion	Appr. \$7 billion	Appr. 9 bil.
Trade account balance	\$20.4 billion	Appr. 19 billion	Appr. 20 bil.

(5) National Income (+ or - percentage in comparison with previous year)

	1981 (real)	1982 (estimated real)	1983 (estimate)
Employees income	7.9%	Appr. 6.3%	Appr. 6.6%
National income	4.4	5.1	6.3

The Basic Attitude Toward Economic Operations

In light of such situation at home and abroad, the government holds the following five points as the basic attitude toward economic operations for fiscal 1983.

--The Steady Expansion of Business Recovery and Stabilization of Employment Centered on the Domestic Demands of the Private Section

To this end, it is necessary to continue to strive to implement policies in an appropriate manner with mobility and create an environment in which the vitality of the private sector will be maximally displayed, and inspire positive private sector investments in plant facilities and technological renewal and strive for the intensification of industrial structure and improvement of productivity. At the same time, with a watchful eye on the economic trends at home and abroad, efforts should be made to implement the financial policy in an appropriate manner with mobility.

--To Maintain the Basic Condition of Stable Prices

This is a basic requirement in stabilizing the people's life and constitutes the basis of economic operations.

--Strong and Comprehensive Pushing for Administrative and Financial Reforms

Administrative reform is aimed at reforming administration to suit the times ahead, and efforts should be made continually for the push. Financial reconstruction, too, has become a vital policy task, and in the formulation of the budget for fiscal 1983, too, efforts should be made to restore financial resiliency centered on a drastic cut and rationalization of expenditure.

--To Form Harmonious External Economic Relations Under International Cooperation

With a view to checking the rising tide of protectionism and positively contributing to the maintenance and reinforcement of the free trade system and revitalization of the world economy, efforts should be made to achieve a balanced trade expansion, further opening-up of the market, promotion of imports, the securing of exports free of friction, industrial cooperation, and cooperation in frontier technology.

--To Lay the Groundwork for Balanced Medium- and Long-Term Development

Economic Prospects for Fiscal 1983

An Outline of the Prospects

Under such economic operations, economic prospects for fiscal 1983 are approximately as follows: With GNP at about 281.7 trillion yen, real economic growth is estimated at about 3.4 percent, nominal growth at about 5.6 percent. Prices are expected to continue to move toward further stabilization, wholesale prices at about 1.1 percent and consumer prices at about 3.4 percent. As for the balance of international payments, both exports and imports are anticipated to show recovery, if somewhat mildly. As a result, both the trade account balance and regular account balance will be in the black to the extent of \$20 billion and \$9 billion respectively, and the basic payments will be nearly balanced.

The Significance of a 3.4 Percent Growth

The growth rate of 3.4 percent as an initial estimate is the lowest with the exception of 2.5 percent for 1974, the year after the first oil shock. This means that following the real growth rates in recent years--3.3 percent for fiscal 1981 and the estimated real growth rate of 3.1 percent for fiscal 1982--the growth rate is on the 3 percent level for three consecutive years. Recently it has been hotly argued about the middle-term growth potential of Japan's economy that it has dropped to about the 3 percent level or 5 percent is possible, but it will be inappropriate to view the latest estimate, necessarily linking it directly to the question of the middle-term growth potential. That is to say, the fiscal year 1983 is a transitional period in which the simultaneous worldwide recession is on the mend and in such severe environment the best policy-oriented efforts will bring about an estimated growth at about 3.4 percent, but as to what kind of middle- and long-term growth is possible and desirable, it is a question that should be settled at time of formulating long-term economic projections or guiding principle in the future.

In this connection, one may well wonder if the solution to the employment question, a serious question at present, can be achieved by [the estimated growth at] 3.4 percent. The government has not drawn up quarterly estimates in making the projections, but it is the rough idea that as the next fiscal year, which will be in the process of business recovery, will see the growth rate accelerated faster in the latter half of the year, the growth rate for the year will average out at about 3.4 percent. As in the latter half of the year the growth rate will be accelerated and the employment measures will be showing their effect, the employment situation is also expected to improve gradually.

Table 5. Spending-Related Index Trends

	Survey of Housekeeping Expenses (compared with same quarter of previous year)		GNP-based personal spending (real, compared with previous quarter	Sales of large retail outlets (nominal, compared with same quarter of previous year
	Real disposable income of workers household	Real spending of all households		
1981	-0.1	0.2	1.1	7.6
Apr-Jun 1981	-0.6	0.1	0.6	7.7
Jul-Sep	-1.6	-1.1	0.2	9.5
Oct-Dec	-0.8	-0.8	0.8	7.2
Jan-Mar 1982	2.7	2.5	1.0	5.9
Apr-Jun	3.0	3.3	2.3	6.6
Jul-Sep	5.0	2.3	0.3	3.0
Oct-Dec	1.9	2.9	-	2.5

Projections by Consumer Items

Personal Spending

Personal spending remained sluggish until 1981 on account of the lingering effects of the second oil shock but from about January-March quarter of 1982 real disposable income began growing against the backdrop of stabilized prices and personal spending also began a basic recovery. In particular, in the April-June quarter of 1982, blessed with favorable weather among other factors, it registered growth at the astounding annual rate of 9.4 percent, as you all know. However, from July-September quarter onward, it showed some slowdown affected by inclement weather such as typhoons among other factors, but for the fiscal year 1982 as a whole, the growth rate (real growth rate, the same hereinafter) is expected to rise to about 4.3 percent.

For fiscal 1983, it is also anticipated that spending will continue its basic recovery against the backdrop of continuing stabilization of prices and its real growth rate will be about 3.9 percent. As for the income side, even as the employment situation will continue to be serious, an increase is expected in overtime allowance and bonus in step with the recovery of production and business revenues, and it is estimated that employees income will grow at about 6.6 percent over the current fiscal year where "personnel Agency Recommended Salary freeze applied. In addition, as by business pickup in general private enterprise revenues and other revenues, which were sluggish in fiscal 1982, are anticipated to be on the mend to some extent, it is estimated that the disposable income of the housekeeping economy will continue to show a steady increase. Again, as prices continue to show a stabilizing tendency, it is anticipated that average spending also will show some rise. In light of such factors, it is believed that personal spending in fiscal 1983 will continue to maintain its firmness.

Lately, the newspapers have been carrying pessimistic reports on the spending trends in light of the sluggish sales of large retail outlets such as

department stores and supermarkets and slowdown in the sale of durable goods and apparel. But a Prime Minister's Office survey of housekeeping expenses revealed that the average spending in fiscal 1982, although there was some change caused by the weather factor, registered a real increase of about 3 percent over the same month of the previous year, a big improvement over the previous year's 0.2 percent. It is believed that responsible for this phenomenon, which seems contradictory on the face of it, is the so-called shift from goods to service. In the calendar year 1982, the spending on goods showed an increase of 1.7 percent over the same month of the previous year but the spending on service increased 4.3 percent over the same period. As for the content of spending on service, there was an increase in educational expense for extracurricular studies at private schools and again, a big increase in "spending, other" such as entertainment. From this point alone, it is believed that the increase in spending became a factor which does not strike one as imparting a sense of material affluence.

Private Housing Investments

Private housing investments have been sluggish since fiscal 1980. Looking at housing starts, it was more or less 1.5 million units [a year] in the first half of the decade beginning 1975, which declined to 1.21 million units in 1980, to 1.14 million units in 1981. For fiscal 1982, under various housing measures housing starts were originally estimated at 1.3 million units but it looks as if it would wind up more or less on the same level as 1981. As factors responsible for this, it is believed that there are structural factors such as: (i) Housing units ready for sale are sufficient in terms of quantity although they leave room to be desired in terms of quality (the number of available housing units for fiscal 1978 exceeded the number of eligible households by 8 percent); (ii) The number of marriages, the increase in the number of households, and inter-area movement of the population declined; and (iii) The gap between the land/house price and the ability to pay widened too much.

In fiscal 1983, too, even though such structural factors are expected to continue to exert strong influence, there are bright short-term factors such as the recovery of disposable income of the housekeeping economy and stabilized building materials and land prices, and in addition, with expediting measures in place for housing construction, such as raising the limit of withholding for housing acquisition (from 50,000 yen to 150,000 yen) and the loan limit of Housing Loan Corporation, the number of housing starts is expected to be more or less on the same level as fiscal 1982. Moreover, as it is believed the people's needs are fairly strong for a better housing quality such as an expansion of floor space and improvements on existing houses, and an expansion in this respect is anticipated, about a 2.6 percent increase has been estimated for capital investment in housing as a whole for fiscal 1983.

Private Investments in Plant Facilities

Private investments in plant facilities showed an extensive increase from 1978 through 1980, but in fiscal 1981, the increase slowed down to 4.4 percent, although still a high rate. As for fiscal 1982, although it seems some of

the large enterprises are having a second thought about investment in plant facilities, the investment is anticipated to continue a comparatively steady increase while [such investment by] small and medium enterprises centered around the manufacturing business is still in the doldrums because of the woeful effects of the decline in exports. Thus, as a whole, the rate of increase will be about 2.0 percent.

According to a survey by various means of inquiry regarding investments in plant facilities by large enterprises for fiscal 1983, the blunting of such investments seem unavoidable because of factors among others such as that the cycle of some of the large investments in seamless-related projects in the iron and steel industry and FF projects in the automobile industry will have been completed, but on the other hand, the mind to make investments seems deep-seated, investments centered around computer-related technology, investments in research and development, and investments in the rationalization and saving of energy.

As for small and medium enterprises, thanks to the falling interest rate as well as a favorable turn in the picture of demands such as the recovery of exports, the progress in inventory adjustment, and the firm tone of personal spending, they are anticipated to move in the direction of a mild recovery. Again, the introduction of the tax system aimed at expediting investments in plant facilities by small and medium enterprises effective fiscal 1983 is also expected to contribute to bringing about a favorable turn in the investment atmosphere.

From such things it is anticipated that private investments in plant facilities will show an increase of about 2.9 percent as a whole for fiscal 1983.

Private Investments in Financing Inventories

For fiscal 1982, it is expected that the inventory readjustment touched off by the decline in exports will continue to the end of the fiscal year and private investments in financing inventories will show a nominal decline of about 27.6 percent. But so far, production adjustment has taken place to a considerable extent and the inventory level has been lowered. On this account, as exports hereafter hit the bottom, it is anticipated that the inventory adjustment will have been completed by most of the industries within the current fiscal year, and from fiscal 1983 onward the inventories will move into a situation of a gradual increase in step with the recovery of internal demands, and for fiscal 1983 as a whole, the investments will show a nominal increase of about 37.8 percent.

Government Expenditure

Government expenditure for fiscal 1982 are still remaining at a low rate of increase under financial reconstruction, and the real increase and nominal increase will both be at about 3.3 percent, it is estimated. As regards government investments in this connection, their nominal increase is estimated to be about 1.8 percent because of additional investments under the economic measures among other things.

As for fiscal 1983, it is estimated that under the continuing tight financial circumstances, their nominal increase will be about 0.4 percent but their real rate will decrease to about 0.7 percent. Of this, it is estimated that nominal creation of fixed government capital will show a minus 1.6 percent more or less. In this way, as for the fiscal 1983 budget, reduction and rationalization of expenditure are being pushed under even more severe financial circumstances, and the situation is such that from the financial side, no positive boom-generating effects can be expected. But even under such circumstances the expenditure for public works-related projects from the general account has been fixed at the same amount as for the previous year and maximum measures have been put in place for business pickup such as securing the business volume through the effective use of private capital by financial institutions. Again, the cut of 1 trillion yen in public bonds to be issued (as opposed to the corrected figure for fiscal 1982) will, it is believed, exert good influence, if indirect, on the private sector in securing a satisfactory supply of funds.

Overseas Demands

For fiscal 1982, it is estimated that on account of the earlier mentioned reasons such as the stagnation of the world economy, the mounting inventories overseas, and the question of trade friction coming to the fore, the increase in exports, etc. over the previous year will be no more than about 1.6 percent. On the other hand, as for imports, etc. there was a noticeable decline in the import of raw materials on account of the stagnation of domestic demands, and it is estimated the increase will be increasing only by a small margin, and it is estimated that the degree of contribution by overseas demands to real economic growth will be nearly zero (0.1 percent).

In fiscal 1983, the world economy is expected to move in the direction of gradual recovery and the adjustment of overseas inventories to make a considerable progress, and therefore, exports, etc. will move in the direction of recovery but their increase is estimated to be about 3.3 percent because it is expected that the severe environment will continue, such as the continuing problem of unemployment in various advanced countries and protectionist tendencies remaining strong, and also that the tempo of recovery of exports, etc. will be a slow one, because among other things there will be the effect of the cheaper yen correction on certain commodities. As for imports, etc. their increase will be a small one of about 0.6 percent because our national economic growth will be slow and the per unit import is showing declining tendencies.

As a result, it is estimated that the degree of contribution by foreign demands to real economic growth will be about 0.6 percent. Consequently, of the 3.4 percent of real economic growth projected for fiscal 1983 it is estimated that about 2.8 percent will be contributed by domestic demands; thus for fiscal 1983, too, it will be a growth led by domestic demands.

Incidentally, it is estimated that the regular account balance for fiscal 1982 will be about \$7 billion in the black and that for fiscal 1983, about \$9 billion in the black. It is also estimated that the trade balance in the black will increase from \$19 billion for fiscal 1982 to \$20 billion for fiscal 1983.

Furthermore, as for the yen exchange rate, the same as before, the actual market rate prevailing immediately prior to commencing projection work was used for yen/dollar conversion, but in estimating the demands by item, the favorable effect of the cheaper yen correction was woven into it to a certain extent.

Prices

Prices have been stable in recent years, and for fiscal 1982, in addition to such basic trend, there was among other things a special factor in the form of extraordinarily stable prices for seasonal commodities such as vegetables, and it is expected that the increase in consumer prices will be no more than about 2.7 percent and the increase in wholesale prices about 1.6 percent. For fiscal 1983, too, among other things there being the effects of stabilized crude oil prices and of the cheaper yen revision, such basic trend of stable prices is expected to continue, and it is estimated that the consumer prices will rise about 3.3 percent and the wholesale prices about 1.1 percent.

In Conclusion

As to the 3.4 percent growth rate projected for fiscal 1983, a question may be raised from two sides: One is whether it will really be possible to realize the growth rate in the currently prevailing severe economic situation, and the other is whether, even if realized, it will be sufficient enough to solve the problems facing us today. But it is our belief that this projection represents the maximum feasible growth rate that can be attained by policy-oriented efforts. Therefore, for the attainment of this projected goal an appropriate policy implementation and the world economic environment getting out of the worst period as it exists today inevitably become important elements. In fact, the assumption that world business will pick up next year is one that has been made for the past several years but has never been realized. Therefore, as for the latest projection, it is our belief that we have estimated the time period and extent of recovery very prudently, if anything, a little too prudently. But unless world business moves in the direction of recovery, it is also a fact that there is nothing that can be done. Fortunately, of late the newspapers have reported that it is almost a certainty that U.S. business is in upward mobility. Also, the recent reduction in oil prices, even though there is apprehension about some temporary friction, is expected to exert good influence on the economy of advanced countries including ours. Thus, for the next one year, for people like ourselves who are engaged in "projecting," it will be a life of now being glad, now being sad at the daily newspaper reports.

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NEC'S INDUSTRIAL STRATEGIES TO EXPAND COMPUTER, COMMUNICATIONS SECTORS

Tokyo ZAIKAI TEMBO in Japanese Feb 83 pp 56-65

[Text] "Sekimoto's NEC" Continues Double-Digit Growth

For the past few years, Nippon Electric Company's aggressive management has moved it well ahead of the crowd, even in semiconductors, computers and other electronics fields which have done well generally. This shows that the "attack" management style of President Tadahiro Sekimoto is well suited to the times. It is certain that the mood at NEC has changed completely since Sekimoto took office.

Given the conservative, refined style of the Sumitomo group, any lack of polish has been eliminated. At the same time, the colorful brightness, unbounded cheerfulness, sociability and energetic action of Sekimoto's style has been worked into a new NEC style. Other companies may take the view that NEC is a little too buoyant, but that buoyancy is certainly an important motive factor behind NEC's rapid growth. In NEC's more than 80 years, there has been no one with as much effect on the company's style as Sekimoto. He is both an individualist and full of confidence in his management.

In the field of semiconductors, the mainstay of production, NEC is second behind the world leader, Texas Instruments. It holds the top international position as an integrated manufacturer of electronic equipment, with telecommunications and computers included. The "NEC" brand is one of a small number that is recognized throughout the world.

Sekimoto's aggressive management is clearly illustrated by investment in the semiconductor division. Even in earlier years, NEC repeatedly went beyond its rival companies in terms of facilities investment. As a result, it is now in the position of reinforcing its base, but the plan to invest 48 billion yen in 1983 (up 11.6 percent from 1982) has undergone a considerable upward revision to 52 billion yen, well ahead of the 48 billion yen of second place Hitachi Ltd and the 32 billion yen of third place Toshiba Corp.

At present, NEC's semiconductor production bases are Kyushu Nippon Denki, Yamagata Nippon Denki, Nippon Denki Sagami-hara Works and the Shin Nippon Denki Ozu plant. The company has also decided to build a VLSI and LSI plant in

Nakatsu, Oita and to establish Oita Nippon Denki. Investment will total about 6 billion yen; monthly production will begin at 2 million units and ultimately increase to 6 million units. Operation is to begin in 1985; construction of an advanced semiconductor plant with an area between 6,000 and 10,000 square meters has begun.

Sekimoto plans to build on the semiconductor sector by means of decisive facilities investment in the fields of computers and peripheral and terminal equipment as well.

This management style is fully reflected in the performance record. Let us examine NEC's sales totals for the past few years.

To look first at overall sales, there has been strong growth from 717.8 billion yen in 1979 (up 17.0 percent from the previous year) to 892.8 billion yen in 1980 (up 24.1 percent), and past the trillion yen mark to 1.054 trillion yen in 1981 (up 18.1 percent). The sales target for 1982 was set at 1.24 trillion yen, and a slight upward adjustment of this target is anticipated.

Looking at individual divisions, we see that for the past 3 years, sales growth in the computer and other electronic equipment division has averaged a high 19.3 percent per year. In 1981, sales in this division came to 284.7 billion yen. With personal computer sales added on, the total comes to 332.5 billion yen, ahead of Hitachi and third behind Fujitsu and Japan IBM. In 1982, sales in this division, without personal computers, is expected to be 339 billion yen (up 19.1 percent).

The electronic devices division has also done well. Growth over the past 3 years has been a surprisingly high 30.3 percent average. The sales total for 1981 was 262.9 billion yen. NEC was the sales leader, of course, well ahead of other companies like Hitachi, Toshiba and Fujitsu.

The 3-year average growth rate for telecommunications equipment has been 13.6 percent, lower than that for semiconductors. But this is still double-digit growth, a rate which would be envied by such industries as nonferrous metals, textiles and steel. It can be said that the worldwide demand for telecommunications equipment has finally entered a period of stable growth.

In 1981, sales came to 413.4 billion yen, which is still ahead of sales in computers and other divisions. As of 1981, NEC's share of the market for telecommunications equipment was 33.0 percent (up 0.2 percent), still far ahead of second place Fujitsu's 10.0 percent (125.8 billion yen, down 1.5 percent from 1980) and third place Oki Denki's 5.6 percent (70.3 billion yen, down 0.3 percent). In 1982, sales are expected to be 463 billion yen (up 12 percent). Planning in this division is ambitious.

The home electronics division has done well in the past 3 years, with growth averaging 28.4 percent. In 1981, sales came to 93.1 billion yen, and 1982 sales are expected to be 95 billion yen (up 2.1 percent).

Total sales can also be considered in terms of demand in the private, government and export sectors. Private demand in 1981 was 497.6 billion yen (up 17.4 percent), 47.2 percent of the total. Government sales amounted to 210.7 billion yen (up 6.4 percent) and 20.0 percent of the total; exports amounted to 345.7 billion yen (27.6 percent), 32.8 percent of the total. It is anticipated that in 1982 private demand will be 608.0 billion yen (up 22.2 percent), 49.1 percent of the total. Government sales will be 215.0 billion yen (up 2.0 percent), 17.3 percent of the total, and exports will be 517.0 billion yen (20.6 percent), 33.6 percent of the total.

NEC's basic management strategy can be seen from these changes in the makeup of sales. There will be active expansion of the private demand and export sectors, primarily in computer and semiconductor sales, accompanied by an escape from dependence on sales to the Nippon Telegraph and Telephone Public Corporation (NTT) and other government agencies. This is the course Sekimoto has worked out for "Sekimoto's NEC."

"Attack" Management Goes beyond Dependence on NTT

The "relationship" between NEC and NTT is extremely close. NEC came into being in July 1899, as a joint venture with Western Electric Corp of the United States. Western Electric put up 54 percent of the capital, 200,000 yen. After various subsequent developments including ties between ISE, a subsidiary of ITT (International Telephone and Telegraph), and the old Sumitomo conglomerate, the name was changed to Sumitomo Communications Industry in 1943, at which time the company produced military communications equipment.

The loss of the war provided the occasion to change the company's name back to Nippon Electric Corp, and NEC began its advance into the field of telecommunications. At that time, in August 1952, NTT was created to promote telegraph and telephone operations as a matter of national policy. President Takeshi Kajii of Sumitomo Communications Industry was appointed NTT's first president. That was the beginning of the intimate relationship between NEC and NTT, and NEC grew along with NTT. At the time NEC depended on NTT for 50 percent of its sales; this "honeymoon" was of great importance to NEC.

As mentioned earlier, the relative importance of government sales within the overall sales picture has decreased. The reason for this is the sharp rise in computer and semiconductor sales; the sales growth has been much steeper than government budget growth, so the government's share is smaller in relative terms. Figures on the makeup of sales change, but it is correct to say that NEC is weaning itself from the government and from NTT.

An examination of the ranking of NTT's supply sources shows that in 1990 [as published; presumably should be 1980] NEC was in first place at 127.4 billion yen (20.1 percent of the total), overwhelming second place Fujitsu's 84.4 billion yen (13.3 percent), third place Oki Denki's 50.4 billion yen (8.0 percent) and fourth place Hitachi's 41.4 billion yen (6.5 percent). Both the amount and the share were up from NEC's 105.9 billion yen (19.3 percent) of 1979. These figures do not indicate that NEC is deliberately moving away from NTT.

So why is it said that NEC is pulling away? The biggest reason is Sekimoto's management stance.

NTT is without doubt a huge market for makers of telecommunications equipment, and it has been able to assure a certain level of sales. As long as a company is a member of the NTT family, NTT will guarantee sales at a fixed level.

NEC has grown steadily with the "patronage" of NTT. This is evident from the aspect of technical development, too.

As technical innovations in electronics have made computers and semiconductors available at low prices, these electronic products have generated an explosive demand. Where past management was passive and depended on demand in the government sector, primarily from NTT, there is now an active management style built on continually advancing electronic technology.

Active management centered on semiconductors was, of course, developed in the time of past President Tadao Tanaka, too. But NTT was always kept in mind. NTT was a refuge to which NEC could retreat whenever it became necessary. This attitude was not unreasonable, in view of the 30-year honeymoon with NTT.

Sekimoto characteristically broke off the honeymoon. That is, by cutting off the path of retreat, he focused entirely on the road ahead. Facilities investment in semiconductors is a classic illustration of setting a course of active management.

The "protect" style of management is ill-suited to a period of continual technical innovation in electronics. Sekimoto has not taken the path of "protect" management. It is "attack" management that has given extra strength to managers. In that sense, it is certain that Chairman Koji Kobayashi had a keen eye in entrusting management to Sekimoto.

According to the Japan Recruiting Center's 1982 survey ranking popularity of companies as employers, NEC was ranked first in the science and engineering division. Hitachi, the perennial favorite, had slipped. NEC had been out of the running in the liberal arts division, ranking 147th in 1979 and 97th in 1980. Then it jumped to 14th in 1981 and entered the top 10 as number 8 in 1982.

"People make the company." NEC's long-range plan for the next century is Sekimoto's management principle that it is necessary to gather superior talent. In order to gather superior talent, he has begun advertising to enhance the corporate image. This effort has been effective to a certain extent, but the biggest factor is that NEC under Sekimoto has been accepted by young people as a modern, or, as they say, a "now" company.

There is probably no need to mention telecommunications equipment again. The "NEC" brand means the best of telecommunications technology, and is a guarantee of quality.

Crossbar switchboard installations are found in North America, Thailand, New Zealand, Iran--about 30 countries throughout the world; the total number of subscribers may have reached 3 million circuits. In 1963, silicon epitaxial transistors and silicon varactor elements were tested in high-performance microwave telecommunications devices with strong resistance to environmental hazards and NEC became the first to succeed in the point-to-point 4 GHz 120 channel formula. Using miniature "I" type devices, it succeeded in point-to-point use of 960 channel equipment in the 2 GHz to 7 GHz range. NEC already ships microwave telecommunications equipment to over 60 countries; it is no exaggeration to say it dominates the world in this field. NEC is without doubt the world's supreme manufacturer of communications equipment.

Continued "Humiliation" in the Computer Sector

Viewed in that way, it would appear that NEC has developed steadily, but that is not the case. There have been mistakes in the development of strategy for the computer division. That is why NEC has suffered a period of "humiliation" as number four among computer manufacturers. That may have been Kobayashi's only mistake.

The Ministry of International Trade and Industry has taken the view that Japan's future lies in control of electronics technology. As early as June 1957, MITI enacted a "law on temporary measures for promotion of the electronics industry" with the purpose of fostering production of electronics within Japan. That was keen perception. To compete with IBM, which held a 60 percent share of world computer markets, MITI quickly formulated policies to protect and foster domestic technology. That decision is what gives Japan the advantage over Britain, West Germany, France and other countries of Europe that bear the burden of IBM.

Japan's economic recovery after the war is called a "miracle." The domestic computer industry has been carefully fostered. In November 1958, NEC and Tohoku University developed the SENAC (NEAC 1102), and the following year Hitachi announced its HITAC 301.

Then in 1965, the spread of domestic computers gained momentum with the announcement of NEC's NEAC 2200 series in June, followed by Fujitsu's FACOM 230 series and Hitachi's HITAC 8000 series.

On the other hand, the countries of Europe and the United States were concerned about Japan's economic recovery, and pressed for liberalization of capital and imports. The United States took a particularly firm stand on liberalization, since world leader IFM was in a slump.

Finally deciding there was no alternatives to beginning liberalization of capital and imports, in 1971 MITI had the Diet pass a "law on temporary measures for promotion of certain electronics industries and certain machine industries." It also arranged for organization of six domestic computer companies (Fujitsu, NEC, Hitachi, Toshiba, Mitsubishi Electric and Oki Denki) into three groups to create a structure capable of competing with IBM.

Kobayashi became president of NEC in November 1964. It can be said without flattery that Kobayashi is one of the superior managers representing the period.

On becoming president, Kobayashi began working out, one by one, new strategies for the company. Microwave telecommunication equipment is one example. The computer field is another. NEC's microwave telecommunication equipment achieved world domination.

What happened with computers? The NEAC 2200 series did well, and there was a fierce fight with Fujitsu for first place among domestic computers. If NEC had continued to put its effort into the computer sector, it might well hold the top spot now instead of Fujitsu.

Instead, NEC changed course on computers. The change was a result of Kobayashi's reading of the giant IBM.

In the mid-1960's, NTT began development of data communications under its fourth 5-year plan. As part of that work, it decided to build its own DIPS computer, and requested the cooperation of Fujitsu, Hitachi and NEC.

Fujitsu, Hitachi and NEC had sharply divided views on the development of DIPS.

Fujitsu and Hitachi argued as follows: Given the impending liberalization of capital and imports, it is necessary to strengthen the competitive position of domestic computers. Specifically, unless a computer could be developed with price and performance superiority which could compete with IBM, Japan's computer industry would clearly be trampled under by IBM, just as the industry in the European countries was.

Thus the situation was tense, with no time to be wasted. To develop the anti-IBM computer that MITI was pushing as a large project while simultaneously pushing NTT's DIPS project would divide already scarce funds for research, and also scatter the available brain power.

IBM could not be defeated under such circumstances. Therefore, they argued, MITI's large project and the DIPS project should be combined. That would allow efficient use of funds and talent to develop a computer with which to oppose IBM.

NEC countered with the following argument: The computers to be developed under MITI's large project and the DIPS project were completely different in nature; combining them would be impossible. NEC would never yield in its insistence that the two projects be pursued independently.

Ultimately it was decided to pursue the two projects independently, as NEC had urged. It should be mentioned that the difficulty of coordinating the views of MITI and the Ministry of Posts and Telecommunications was a complicating factor.

Mission of Catching Up With Fujitsu

Why is it that Kobayashi did not join Fujitsu and Hitachi in a frontal attack on IBM?

Kobayashi had his own reading of the situation. He readily travels overseas, and takes 10 or more business trips abroad each year. It is not possible for one who stays in Japan to judge IBM's true strength. Having information from those well-versed in the situation overseas and from numerous excellent businessmen, Kobayashi had the most accurate grasp of IBM's hidden strength.

Of course Fujitsu, NEC and Hitachi together had only a 1 or 2 percent share of the world computer market, compared with IBM's share of 60 percent or more. Accurate figures on research and development expenditures are not available, but for the six domestic companies, from 1965 to 1975, that investment should have exceeded total sales.

Kobayashi was confident that given those figures, joining a four-way struggle which included IBM was not a course management should choose. At the time Kobayashi said: "We shouldn't talk about toppling IBM; IBM must not be underestimated."

There were two reasons for Kobayashi's insistence on separate development of the MITI large-scale project and the DIPS project. The first was that if combining the projects meant defeat in a frontal assault against IBM and withdrawal from the computer sector, it might turn out that even the NTT market would be lost to IBM. Then Japan's electronics industry, with computers at its heart, would be completely dominated by IBM and other foreign forces. That would amount to domination of the nation.

The second reason was that by keeping the two projects separate the stronghold of NTT could be defended even in the face of a loss to IBM. That would keep alive the chance to challenge IBM again later.

Consequently, Fujitsu and Hitachi formed a group and began development of an IBM-compatible computer. NEC, on the other hand, chose the course of noncompatibility with IBM.

With this mixture of philosophies existing among Japanese computer companies MITI gave in to the mounting pressures for liberalization, and decided on a policy of partial liberalization in July 1971.

As the international climate surrounding the computer industry became harsher, Kobayashi stepped back to make a calm and accurate assessment of that climate, and to set the future course of NEC computers. His direct motivation was the gap between NEC and Fujitsu; NEC had even fallen behind Hitachi. This began about 1970. Closing the gap is NEC's great mission at present. NEC has gradually caught up with Hitachi, but the gap separating it from Fujitsu is bigger than ever.

The "error" of Kobayashi's computer strategy is strictly a question of results. It is not a fatal error like Toshiba's having to withdraw from the field of

large, general-use computers. Fujitsu's and Hitachi's aggressive line against IBM had the backing of MITI, but in fact it succeeded beautifully.

Fujitsu has taken the top place from Japan-IBM, and it has pitted itself against IBM on a worldwide scale. It is the same with Hitachi; the IBM industrial spying incident of June 1982 can be called a product of the fight between Hitachi and IBM. The better things go for Fujitsu and Hitachi, the worse Kobayashi's "error" will look.

Regaining Lost Ground with C & C

On scrutinizing the success of the Fujitsu-Hitachi line against IBM, Kobayashi decided to develop an aggressive computer strategy. His slogan is "C & C" for computers and communications.

"C & C" was coined by Kobayashi. Simply put, it means that a logical, civilized society--a Computopia--will be built by connecting computers through communications networks and using them extensively.

Of course, modern society is, as Kobayashi points out, rapidly progressing toward C & C. Kobayashi has begun to regain lost ground in the computer field with this powerful weapon.

Kobayashi has often stuck out his chest and said: "NEC has the world's best telecommunications technology and market. It also has computers. NEC is the only one that has both. IBM doesn't. This is the era of NEC." And, he has boasted, "C & C generally means computers and communications, but NEC is communications and computers."

Making the computer sector a theoretical weapon in C & C is a characteristic act for Kobayashi, ever the theorist. That characteristic was the motive force which led to success in catching and surpassing Hitachi.

There is a surprisingly strong boom in personal computers now; Hitachi has boasted of its overwhelming strength in that field. It has sold over 100 billion yen in personal computers alone. And together with Mitsubishi Electric and Toshiba, it is at the top of the office computer field.

It was a timely move to make the active Sekimoto president of NEC just when the company was being forced to work out a positive management strategy by advances in distributed processing systems under C & C, and by the development of personal computers and of office automation including Japanese word processors, facsimile machines and office computers.

One improvement made under Sekimoto was the activation of sales channels. The sales network has been strengthened. Another improvement was a sweeping reorganization. It is often said that: "After Sekimoto became president, the idea that sales come first was quickly reflected in such things as product development." The employees are charmed by Sekimoto's vitality, which has brought deep confidence in him. With Sekimoto in control, NEC is sure to continue steady growth.

But that does not mean there are no problems; a number of obstacles lie in NEC's path. NEC's future depends on how these problems are solved. Let us examine a few of them.

The first is semiconductors. As mentioned, NEC follows TI as the world's second largest manufacturer of semiconductors. It is certainly strong. At present (the end of October 1982), it is set to produce 2 million units per month, and by the end of March 1983, it will be set to lead the industry by producing 3 million units per month.

In the analysis of an influential industry source: "NEC's 64K DRAM may well be a loser." But even if it is losing at present, it could become a winner with monthly production of 3 million units. It would be premature to say NEC's semiconductor division faces a crisis just because there is a deficit at present. But the influential industry source says: "Hitachi and Fujitsu are completely in the black." Hitachi's monthly production capacity for 64K DRAM's was 1.95 million at the end of October, and the figure for Fujitsu was 2.0 million. In other words, all three companies have about the same production capacity, but NEC alone is unable to show a profit.

The 64K DRAM can be called the entryway to VLSI production, and a false step at that point will affect the future course of semiconductor operations. For that reason, industry attention is focused on NEC's "negative profit" theory.

Many Problems in the Path of C & C Strategy

Technological innovation in semiconductors is really amazing. Even though the heavy demand period for 64K DRAM's is still to come, the industry has already taken up the issue of 256K DRAM production. Toshiba and Hitachi plan to begin shipping samples early in 1983.

This 256K DRAM consists of about 600,000 elements mounted on a silicon chip a mere 5 mm square, and requires ultraprecision (2 microns or less) processing technology. Establishing production technology for the 64K static RAM was one step in establishing production technology for the 256K dynamic RAM. The 64K static RAM is comprised of about 400,000 elements.

Hitachi, Toshiba and Oki Denki have already entered this arena, but NEC has been standing by silently. Hitachi has said: "Commercial production of that product could be accomplished at any time. The technical difficulties have been solved." As to whether they have really been solved, the general view of the industry is that "If it had solved them, it would have announced it."

The competition to develop semiconductor technology is a marathon with no finish line. NEC has always been out in front with a considerable lead, but its lead is disappearing. There are beginning to be instances where someone pulls ahead. How to maintain the lead in the increasingly intense competition is a matter of concern for NEC.

Computers are next. NEC is continuing favorable growth in its course of noncompatibility with IBM. It does not share with Fujitsu and Hitachi the

necessity of watching IBM's moves while planning strategy. NEC's computer strategy, which Kobayashi calls avoiding the mistake of direct competition with IBM, has succeeded so far.

But while the performance of hardware will be an important factor in the future uses of computers, software will be even more important. This is a matter of advances in the technology of using computers. In other words, the accumulation of software will become the key to competition in computers.

Because Fujitsu and Hitachi have taken the path of compatibility with IBM, the fiercer competition between IBM and NEC has spread. But Fujitsu and Hitachi are able to use software developed by IBM without having to adapt it. At the same time, the software houses that develop and sell software turn their attention first to software which can be used by IBM computers. That is natural, since there is a great potential market for software used by the computers with a 60 percent share of the world market. The market share held by IBM and IBM-compatible computers together is probably more than 80 percent of the world total.

Thus, huge volumes of software are produced between the IBM group and the software houses. The gap between that and the software accumulated by the noncompatible group is growing rapidly.

Business has fallen off for Burroughs, an American example of the noncompatible companies. Britain's ICL, Europe's largest manufacturer of computers, is in a difficult situation, and the British Government has asked Fujitsu's cooperation in rebuilding it. America's NCR is similarly unable to grow.

The "software gap" has hurt business for the manufacturers which are not IBM compatible; those manufacturers may not survive into the 1990's.

How NEC will solve the "software gap" problem is an important issue which may make or break the company. It will be watched whether Sekimoto will find the correct solution to this difficult problem.

Under the slogan of C & C, Japan [as published] has developed a clever sales strategy, and has met with success. But proclaiming the slogan has not created a large C & C network. There are even those who say Fujitsu's distributed processing network is better than NEC's. It is certainly true that Fujitsu started first in the C & C field NEC is talking about.

At the same time, Japan-IBM has begun steadily increasing its efforts in regard to distributed processing networks. And it is commonly thought that its technology in the field of distributed processing networks is far ahead of NEC's. NEC has created an excellent drawing card with C & C, but it is not yet certain that it has products to match. Because distributed processing will be a major factor in the future use of computers, the ability to actually provide C & C is a major task facing NEC.

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
●日本電気の主要指標の推移	受注高	売上高	営業利益	株当たり 営業利益	1株あたり 配当額	経営資産	1株あたり 経営資産	技術研究費	設備投資額	従業員数
52年度 (k) (52.4.1-53.3.31)	577,033	538,535	7,030	8.68	5.00	639,922	117.21	23,042	15,048	31,170
53年度 (l) (53.4.1-54.3.31)	659,744	615,440	7,612	9.29	5.00	679,241	124.63	31,216	19,750	31,106
54年度 (m) (54.4.1-55.3.31)	787,107	719,773	13,131	15.19	6.00	743,171	146.80	43,296	26,453	31,625
55年度 (n) (55.4.1-56.3.31)	336,591	292,810	18,045	19.26	6.50	859,851	175.17	49,318	36,355	32,800
56年度 (o) (56.4.1-57.3.31)	1,082,991	1,054,049	21,328	21.77	6.50	991,126	197.37	55,288	50,598	34,061

Trend of NEC's major indicators

- (a) Total orders (million yen)
- (b) Total sales (million yen)
- (c) Earnings (million yen)
- (d) Earnings per share (yen)
- (e) Dividend per share (yen)
- (f) Total equity (million yen)
- (g) Equity per share (yen)
- (h) Technical research costs (million yen)
- (i) Facilities investment (million yen)
- (j) Employees
- (k) FY-77 (1 Apr 77 - 31 Mar 78)
- (l) FY-78 (1 Apr 78 - 31 Mar 79)
- (m) FY-79 (1 Apr 79 - 31 Mar 80)
- (n) FY-80 (1 Apr 80 - 31 Mar 81)
- (o) FY-81 (1 Apr 81 - 31 Mar 82)

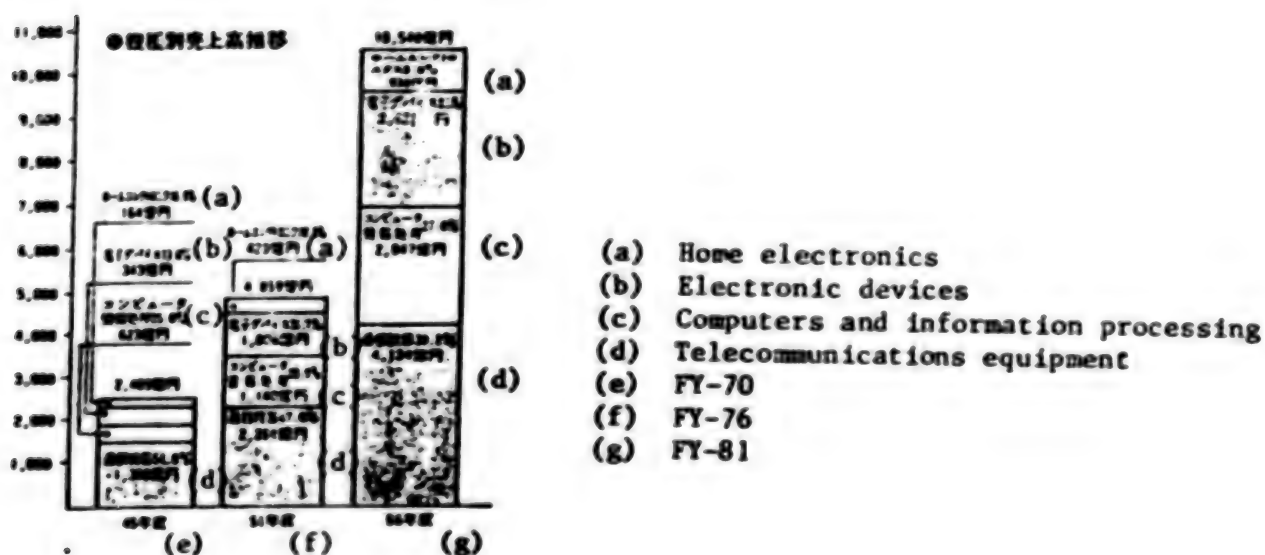


Figure 1. Sales trends by product sector (unit: 100 million yen)

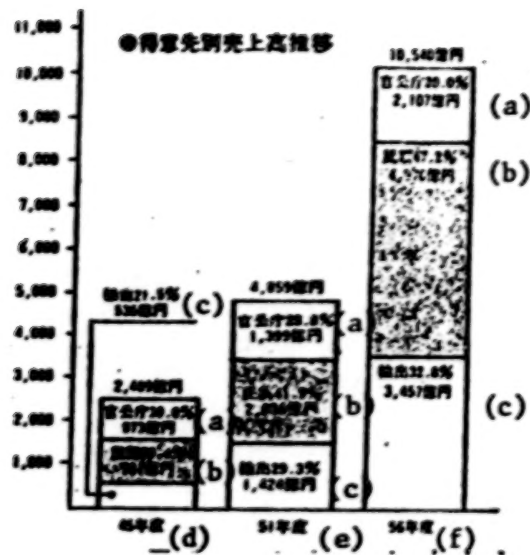


Figure 2. Sales trends by purchasing sector (unit: 100 million yen)

- (a) Government
- (b) Private demand
- (c) Exports
- (d) FY-70
- (e) FY-76
- (f) FY-81

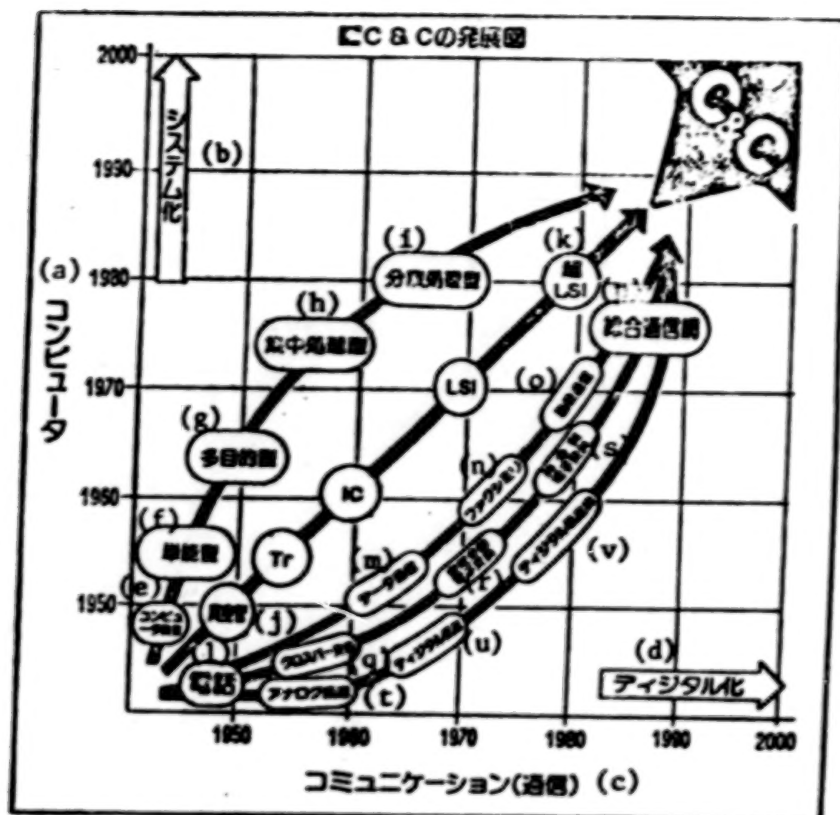


Figure 3. Development of C & C

- (a) Computers
- (b) Systemization
- (c) Communications
- (d) Digitalization
- (e) Birth of computers
- (f) Single function
- (g) Multipurpose
- (h) Central processing
- (i) Distributed processing
- (j) Vacuum tubes
- (k) VLSI
- (l) Telephone
- (m) Data communications
- (n) Facsimile
- (o) Video communications
- (p) Integrated communications network
- (q) Crossbar switching
- (r) Space division switching
- (s) Time division switching
- (t) Analog transmission
- (u) Digital transmission
- (v) Digital transmission network

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SCIENCE AND TECHNOLOGY

BRIEFS

IRANIAN NEGOTIATING TEAM ARRIVES--Tokyo, 10 May, KYODO--An Iranian negotiating team for the long-stranded Japan-Iran petrochemical project in southern Iran arrived in Tokyo Tuesday. The delegation included Mostafa Taheri, chairman of National Petrochemical Co. (NPC), and A. Honardoost, undersecretary for commercial and international affairs. The delegation will hold a sixth round of negotiations with the Mitsui group--the Japanese partner for the project--for resumption of construction works in Bandar Khomeyni which has been suspended since the outbreak of the Iran-Iraq war in 1980. [Text] [OW101051 Tokyo KYODO in English 0937 GMT 10 May 83]

PAKISTANI ARMY LEADER--Tokyo, 10 May, KYODO--Japan will continue its economic and technical assistance to Pakistan for its development, Defense Agency Director General Kazuo Tanikawa said Tuesday. Tanikawa, also a cabinet minister, made the statement during talks with Gen Sawar Khan, deputy chief of staff of the Pakistani army, Japanese officials said. Khan said the Soviet Union should withdraw its troops from Afghanistan for peace and stability in that part of the world. He also said Pakistan is plagued with Afghan refugees in his country estimated at three million. [Text] [OW100355 Tokyo KYODO in English 0312 GMT 10 May 83]

DEFENSE ORDERS--Tokyo, 18 May, KYODO--The Defense Agency will place an estimated yen 1,116.6 billion (about dollar 4.8 billion) worth of orders for major defense equipment such as tanks, ships and aircraft during fiscal 1983, which began last April, officials said Wednesday. Fiscal 1982 orders were yen 1,128.3 billion (about dollar 4.9 billion), up 48.6 percent from a year before, the officials said. The fiscal 1983 orders will include 60 tanks, five anti-tank helicopters, two guided missile destroyers, seven P-3C patrol planes, 13 F-15 fighters, three F-1 support fighters and a new base air defense ground environment (badge) system, they said. Delivery will be made over a period of three to five years, they added. [Text] [OW181115 Tokyo KYODO in English 1054 GMT 18 May 83]

'PROMISING' OIL DISCOVERY--Niigata, 25 May, KYODO--Four Japanese oil development firms led by Japex Offshore Ltd. have struck promising offshore oil at their "Iwafune Offing" exploratory well in the Sea of Japan off Niigata Prefecture, Japex officials said Wednesday. Located some four kilometers off Nakajo, Kitakanbara County, it might become one of Japan's largest oil deposits with daily output totaling some 6,000 barrels, the officials said. The four firms started to drill the well in March and had bored down to 2,800 meters under the sea by the end of April to find five promising oil strata, they said. [Text] [OW250157 Tokyo KYODO in English 0135 GMT 25 May 83]

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